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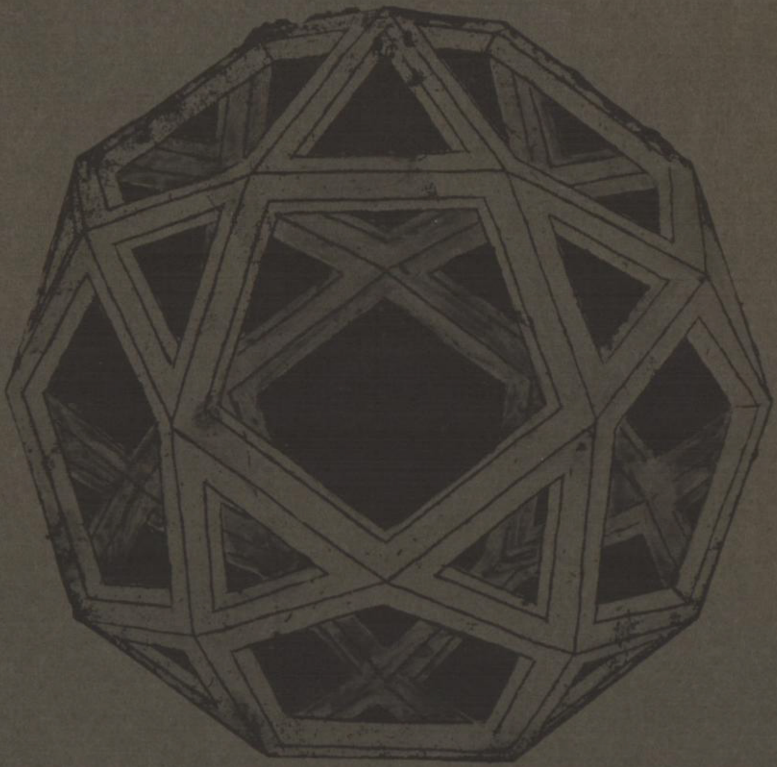

MAY 2 1968

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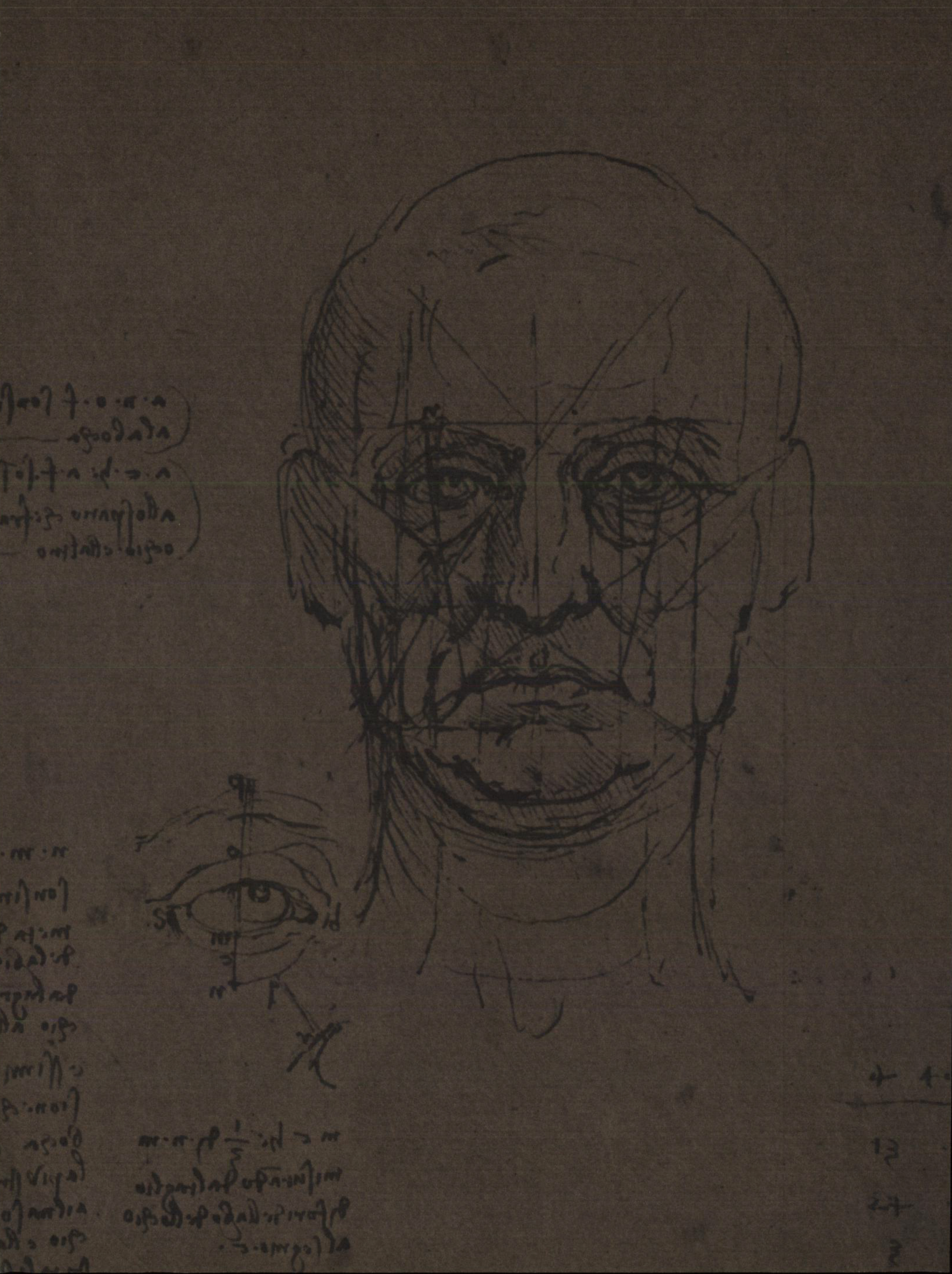
Rexall
Drug
and
Chemical
Company

Annual
Report
1967

Rexall Drug and Chemical Company • Annual Report 1967



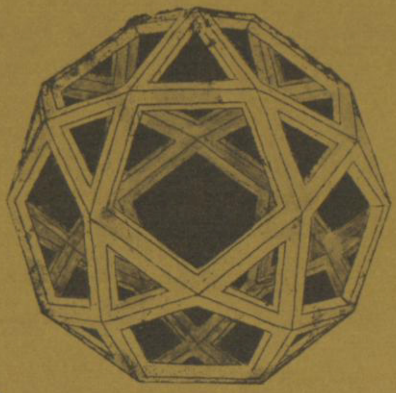
Leonardo Da Vinci

The multi-mind. He was an architect, sculptor, mathematician, astronomer, painter, engineer, and inventor. He imagineered the airplane 400 years before it became a reality.

As knowledge has grown, so have the complexities of sciences and human behavior. The sky is too vast, the cell too complex, the atom too small, the ocean too deep, and the virus too elusive, for one man to comprehend in one lifetime.

Today, the multi-business corporation provides a platform where teams of brilliant minds can attack the tremendously complex scientific opportunities in an organized fashion. The result is to stimulate the imagination, desire, and productivity of the individual into a synergism of corporate progress.

The polyhedron of Leonardo—
a symbol of unity,
diversity and strength.



LEONARDO DA VINCI-(1452-1519)-Structural Drawing for a Self Portrait

To the Stockholders:

Corporate Philosophy

In the past decade, Rexall's earnings per Common share have increased nearly five-fold, equal to a 17% compound annual rate of growth.

This progress has been largely the result of successfully embracing new opportunities and by providing a climate in which these enterprises could grow more rapidly and more soundly.

We do not embrace the idea of buying anything and everything just because it might temporarily add to per share earnings.

Here is our attitude toward the future growth and development of your company:

- to analyze continuously and cultivate intensively our present activities.
- to potentiate our present businesses by adding new products which we develop out of our corporate search, research and product development; and to eliminate such products or product lines which have become less profitable.
- to study entirely new opportunities and to embrace only those which comprehensive analysis discloses to be outstanding.
- to divest ourselves of undertakings where our return on investment is not satisfactory, and to re-invest that money in one of our other activities where we can produce not only a better return but where the future looks more promising.

A corporation operating in a single business area does not have this flexibility.

Corporate Objective

If the multi-mind of Leonardo da Vinci 450 years ago was attuned and accomplished in many fields of science and the arts, it is not presumptuous for us to assume that a corporation can put together a team capable of participating profitably in a number of areas of science and commerce.

The explosion of scientific knowledge in today's environment makes it imperative for a corporation to put together a management team capable of evaluating and harnessing at least a part of this burgeoning scientific spectrum.

Management Philosophy

It has been our experience that operating management relieved of financing responsibilities and other corporate staff activities has more time to concentrate on manufacturing, product development, and selling—and, therefore does a more effective job. It has also been our experience that management talent and services available from the parent company help enormously in developing the sound growth and profitability of divisional enterprises.

Autonomy of operating management is vital to the success of a multi-business company. When properly defined and effectively delegated to competent managers, this autonomy motivates and develops, more than any other factor, their resourcefulness, initiative, imagination and skills. Even more importantly, responsibility for major operating decisions can be spread over a wide range of managers—permitting these decisions to be made quickly by those best qualified. This provides a flexibility of action that gives us an advantage over centralized managements.

It is our practice to develop at least one back-up manager in each profit center. As these management people grow and mature we are able to shift them as needed from one operation to another. The benefits to our overall management structure resulting from this practice would be hard to over-estimate. Further, the individual manager is given a much greater breadth of opportunity and therefore in many cases can grow more quickly.

Earnings and Sales

At this time last year, we announced that we expected to improve our 1967 position relative to 1966 as the year progressed. These improvements developed generally as planned to the point where 4th quarter 1967 earnings were at an all-time high.

Consolidated net earnings for 1967 were $31,059,000 or $1.93 per share compared with $27,473,000 or $1.67 in 1966. Consolidated net sales for 1967 were $531,566,000 compared with $488,449,000 in 1966.

The Year in Brief

	1967	1966†
OPERATIONS		
Net sales	$531,566,000	$488,449,000
Net earnings	31,059,000	27,473,000
Per share of Common Stock	1.93	1.67*
NUMBER OF SHARES OF COMMON STOCK		
Average during the year	13,342,500	13,271,400*
Outstanding at year end	13,405,000	13,297,600*
NUMBER OF SHARES OF PREFERRED STOCK		
Outstanding at year end	2,667,500	2,640,400
AT YEAR END		
Current assets	$217,802,000	$203,244,000
Current liabilities	82,331,000	74,350,000
Working capital	135,471,000	128,894,000
Long term debt	80,326,000	82,030,000
Stockholders' equity	247,235,000	223,885,000
DIVIDENDS PER SHARE		
Common Stock		
Cash	$ .30	$ .30
Stock	3%	3%
Preferred Stock ($2 annual rate)	2.00	1.00

† Restated—See note to financial statements.

*Adjusted for 3% Common Stock dividend issued in February 1967.

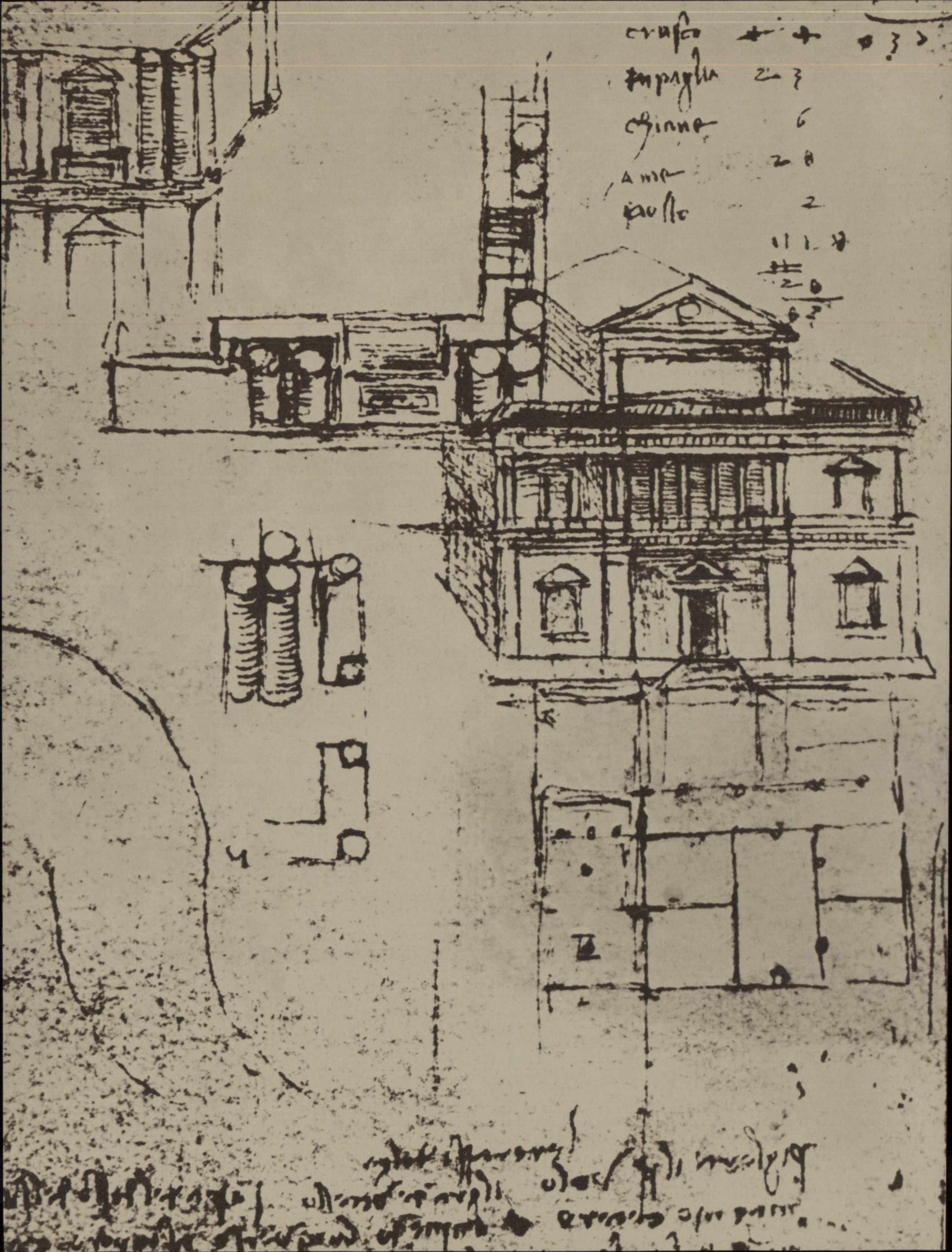
Board of Directors

Robert T. Beattie, president of the Rexall Group has been elected to the Board of Directors and Edgar Thedens, formerly assistant general counsel of the Company, has been appointed corporate secretary.

Corporate Staff

Rexall has a small, but highly specialized corporate staff offering a wide variety of management skills including: industrial engineering, personnel services, communications, financial analysis, operations research, organization planning, labor relations, management development.

It is the role of these specialists to work with the group presidents, assisting them on request to plan operations and, on a continuing basis, review their performance.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They assist in the early detection of problem areas, as well as areas of opportunity.

The corporate staff, formerly under three vice presidents, has been consolidated under George J. Daly, vice president, finance and administration. Important additions to the corporate staff include Thomas B. Neff, formerly president of an ITT subsidiary, in the long-range planning role, and Brigadier General Ernest Ramme to head management services. General Ramme joined us from the U.S. Air Force where he developed service-wide reporting and analysis systems and was responsible for control and world-wide distribution of Air Force materiel.

Chemicals

Chemical Group Organization

Under the direction of Ralph M. Knight, president, Rexall's growing chemical and chemical related group has achieved sufficient scope to change from a centralized or functional management concept (i.e., common marketing, research and operations for all products) to the decentralized profit-centered management concept. Polyethylene-polypropylene (a joint venture), styrenics, color dispersions, glass fiber dispersions—each now has its own management team responsible for its own sales, research, and operational functions. Thus, every area receives individual specialized direction and maximum management accountability. At group headquarters a commercial development team concentrates on new activities thus permitting the profit center managers to concentrate fully on their regular activities.

Chemcial Research and Development

In 1968 the Rexall Chemical Group will spend about 9% of sales on research and development. This is almost three times the industry average. Rather than diluting research efforts over a wide range of interests, the Chemical Group concentrates its effort in the areas of high and low pressure olefin polymerization, suspension, emulsion, and bulk polymerizations. For each of these areas there are separate research and development departments at the Paramus, New Jersey laboratory. In addition to conducting basic research, these departments provide technical sales service to the group's customers and work closely with their counterparts in Rexall's other groups, particularly the Plastics Group.

Polyethylene and Polypropylene

We have broadened our product mix to include resins for the growing substrate and wire coating polyethylene markets and the dyeable fiber polypropylene markets. At the same time we have consolidated our total number of polyethylene resins, concentrating on specialty and more profitable resins. Improving our product mix is especially important in a period of declining polyethylene prices. Our polypropylene process is rated as one of the best in the industry. We are operating polypropylene at capacity and prices remain firm. Rexall has issued its first polypropylene license to Ube of Japan. Already a polyethylene licensee, Ube is now constructing a polypropylene plant.

New Polystyrene Plant

At its Joliet, Illinois complex, Rexall Chemical is adding a new 40 million pound-per-year general purpose polystyrene plant. Scheduled for completion in the second half of 1968, the plant will provide styrene to Midwest markets.

LEONARDO THE ARCHITECT

ABS The problems encountered in bringing our ABS (acrylonitrile-butadiene-styrene) plant on stream are now substantially behind us. Through the combined efforts of Chemical Group research and development personnel and plant process and production engineers, this plant now produces a broad spectrum of ABS resins. These include resins for rotational casting of furniture and appliances, luggage and glass reinforced resins for the automotive industry.

Fiberfil Fiberfil, acquired early last year, is broadening its product line so that it will be less dependent on a single industry. In addition to its glass fiber activity, Fiberfil recently announced the development of metal fiber reinforced plastics. This new product is being used in airplane brake linings where it extends the life of the lining from about 20 landings, experienced with conventional material, to over 400. Another new product under development is glass reinforced ABS thermoformed sheet which has a wide range of industrial and commercial uses. One of Fiberfil's Evansville, Indiana plants and its Warsaw, Indiana plant are being combined in a new facility in Evansville. This new plant will improve production efficiencies and provide room for further expansion.

Plastics

Plastics Group Organization The Plastics Group, headed by Donald Brewer, president, is comprised of six sections: home furnishings, architectural products, sale and leasing of signs, packaging, styrene products and compounding specialties. This group contains companies related by market and distribution systems.

Each of the companies produces plastic products. Plastic processing technology is the common ingredient in the control of operations and the developing of new markets, products and services. Organized in this manner, the group as a whole shares in the benefits of a constantly expanding pool of plastics knowledge.

Syroco This knowledge and its relationship with the architectural products section was found to be especially helpful to the future growth of Syroco, our decorative home furnishings division. Consequently, it is now a member of this group.

Syroco, manufacturer of home decorations, has branched out into two new areas. The first of these will provide an entry into the furniture market through a line of decorative occasional and cocktail tables to be introduced this spring at major furniture shows. These tables, produced in a variety of shapes, styles and colors, incorporate three other Rexall products: simulated slate and marble, decorative laminates and ABS resins.

Syroco will enter the mass merchandising market through a specially designed line of bath and boudoir accessories to be sold under private label. This marks the first time Syroco has provided products for this major retailing force.

Wallboard Late in 1967, the architectural products section of the Plastics Group organized a new division, known as the Panel Products Company, to produce a luxury plastic panel for use by the construction and furniture industries. This activity, housed in a new 70,000 square foot plant in Atlanta, will extend the laminated plastics products of the Ralph Wilson division into wallboard paneling. These two divisions, together with the Fabrovin division which produces vinyl wall coverings, now provide architects with a complete line of surfacings marketed by the Architectural Products division.

Colorite

To accommodate its expanding sales volume, the Colorite division, which engages in garden hose manufacturing and polyvinyl chloride blending operations is relocating into a 220,000 square foot plant at Ridgefield, New Jersey. This added floorspace will reduce the need for leased warehouse space, lower overhead, improve efficiency and increase manufacturing capacity.

Epcon Leasing

With the acquisition of Epcon, a 40-year-old company acquired in November 1967 for 150,000 shares of Rexall Common stock, Rexall entered the outdoor sign leasing field. Headquartered in Seattle, Epcon operates in the Pacific Northwest and Rocky Mountain states. It has considerable expertise in the leasing field which should have application in many areas of our Company in the future.

Rexcut

Rexcut, manufacturer of abrasive materials, has considerably expanded its activities in the past year. New abrasive products include the first "do-it-yourself" indoor tennis court flooring, used by the new Madison Square Garden, as well as a line of abrasive wheels and disks marketed under the *Rexcut* name. This division continues to be an important supplier to other manufacturers of abrasives.

Design Center

A unique application of research and development is the Design Center. Organized recently, it is staffed by well-known design consultants from the United States and Europe. The creative ideas of the Center have been helpful in meeting the specific needs of our operating groups, especially in the Plastics and Direct Selling Groups.

Imco Divestiture

In settlement of the Federal Trade Commission proceeding relative to the Thatcher merger, Rexall agreed to sell its half interest in one of the divisions comprising the packaging section of this group, the Imco plastic bottle operation, to a purchaser approved by the Federal Trade Commission. A purchaser was located and terms agreed to, but in mid-February 1968, the Federal Trade Commission declined to approve that buyer. Rexall is continuing its efforts to find an acceptable purchaser. Should a sale of Imco be consummated later this year, it is not expected to have any adverse effect on the 1968 earnings of the Company.

Glass Containers

Thatcher Glass

Thatcher Glass continues to outpace the industry growth pattern especially in the fast growing convenience packaging field and 1967 operations recorded a new high for this group. This record reflects the development of a strong management team under Franklin B. Pollock, chairman of the group and vice chairman of Rexall's Board of Directors, whose leadership over the past 25 years has greatly increased Thatcher's volume and profit. Thatcher now produces twice the tonnage it did seven years ago.

Last year we commented on the extensive start-up costs incurred at the new Wharton, New Jersey plant. In 1967, its first full year of operation, this plant operated at capacity and proved to be one of the most efficient of the six plants operated by Thatcher. This, together with the doubling of capacity at Tampa and the addition to the Lawrenceburg, Indiana plant in 1966, increased Thatcher's output to a record high and substantially increased 1967 earnings.

A price rise announced in the latter part of 1967 took effect in January and February this year. The beneficial effects of this price increase will be at least partially offset by an industry-wide strike which closed five of the division's six plants commencing February 1 and the remaining plant on March 1.

Research and Development

The Thatcher Glass Research and Development Center led the industry in the development of the disposable bottle. It continues to work in the field of advanced applied technology. As a continuing effort to increase the competitive advantages of glass, the Center is developing thinner, lighter and stronger materials and methods to economically fabricate them at high speeds.

Direct Selling

Direct Selling Organization

Hamer Wilson, president of the Direct Selling Group, has strengthened Tupperware's management groups around the world and has centralized control in Orlando, Florida. His management organization is divided into three principal functions: sales, manufacturing and finance, the latter providing the world-wide coordination between sales and manufacturing in order to achieve maximum return on investment.

The reorganization of Tupperware Japan, commented upon last year, has been successful.

Tupperware Investment

Rexall now has over $50 million invested in Tupperware. This division operates ten plants around the world in addition to two mold plants. We plan to continue the necessary heavy investment in this division to insure continuing success.

Sales of Tupperware products throughout the United States reached a level in 1967 which exceeded the capacity of the United States plant and construction of a second U.S. plant at Halls, Tennessee was authorized. Until this plant is completed in mid-1968, the additional demand is being satisfied with products imported from Tupperware's other plants. The location of the second U.S. plant, to contain 313,000 square feet, offers many advantages including ready access to markets in the South and West.

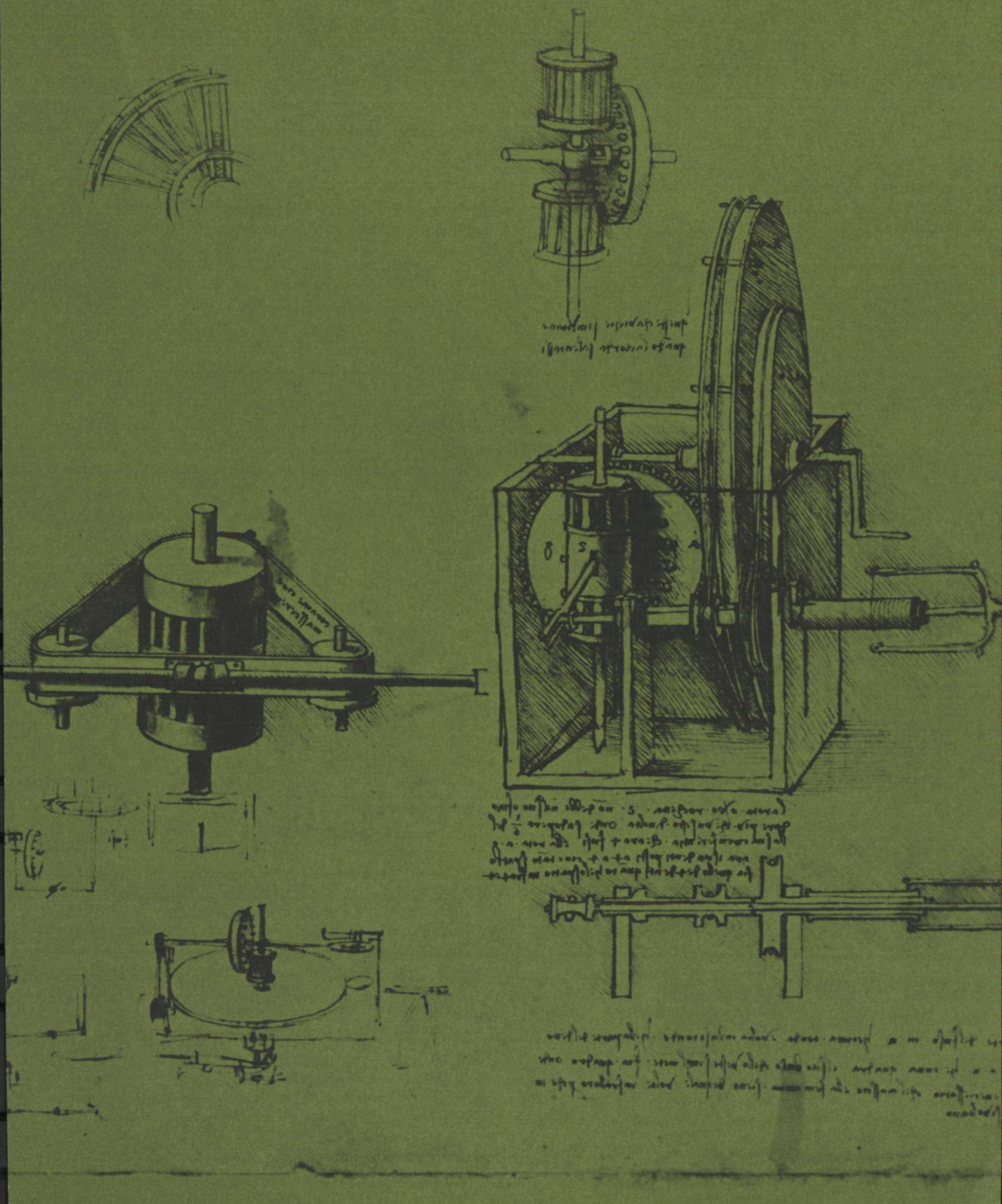
Tupperware International

Two new plants were opened by Tupperware during 1967: Thivia, Greece and Madrid, Spain. Sales activity has been inaugurated in Costa Rica, Peru, El Salvador and Ecuador this past year. *Tupperware* is now marketed in 42 countries. International sales growth continued on schedule in 1967 and will be accelerated in 1968.

Product Development

Tupperware introduces an average of six new items each year. The expanded product development division has products ready three to five years ahead of their introduction. In addition to continuing experimental work with decorative colors, new plastic

LEONARDO THE INVENTOR



molding techniques are being developed to make possible totally new types of products to be marketed through direct selling methods.

New product introductions for Tupperware followed a trend toward concentration on food container products with specific uses. Examples are the *Crisp-it*—to preserve lettuce—and the *Jel-ette Set* which incorporates exclusive "change-about" seals that enable homemakers to serve individual molded salads with a choice of design.

Vanda

Success in the beauty business is attained with unique and exciting products and packages. By combining the best ideas of Europe and America, Vanda is introducing products for the woman of today. Some of the best known consultants in the world and the Design Center, are working together to provide Vanda with packaging that is truly unique, exclusive and especially suited to in-home selling. New products have been added to provide Vanda beauty consultants with a complete line of products for sale on every "Vanda Visit."

Vanda Product Development

Vanda is developing revolutionary aerosol valves and aerosol chemistry. Early experiments appear promising and offer the potential of breakthroughs in aerosol packaging of cosmetics never before available in this convenient form.

Vanda Organization

Vanda is building a competent management team around a small core of experienced Tupperware executives. The major emphasis is being directed to the development and expansion of distributorships in the United States and Canadian markets.

Beauty Counselors

In January 1968, the Boards of Directors of Rexall and Beauty Counselors, Inc. confirmed an agreement to merge under terms requiring Rexall to exchange .825 of a share of Rexall Common Stock for each share of the approximately 750,000 outstanding shares of Beauty Counselors' stock. This agreement now awaits the approval of Beauty Counselors' stockholders. Rexall also intends to make an offer to acquire the outstanding 43% interest (about 514,000 shares) in Beauty Counselors' Canadian subsidiary at the equivalent of $5.12 per share.

Beauty Counselors is a 36-year-old direct selling cosmetics company with headquarters and manufacturing facilities in Detroit. It reported 1967 nine month sales of approximately $9,500,000 and net profit of approximately $498,000. In addition, net profit attributable to the minority interest of the Canadian subsidiary amounted to $76,500.

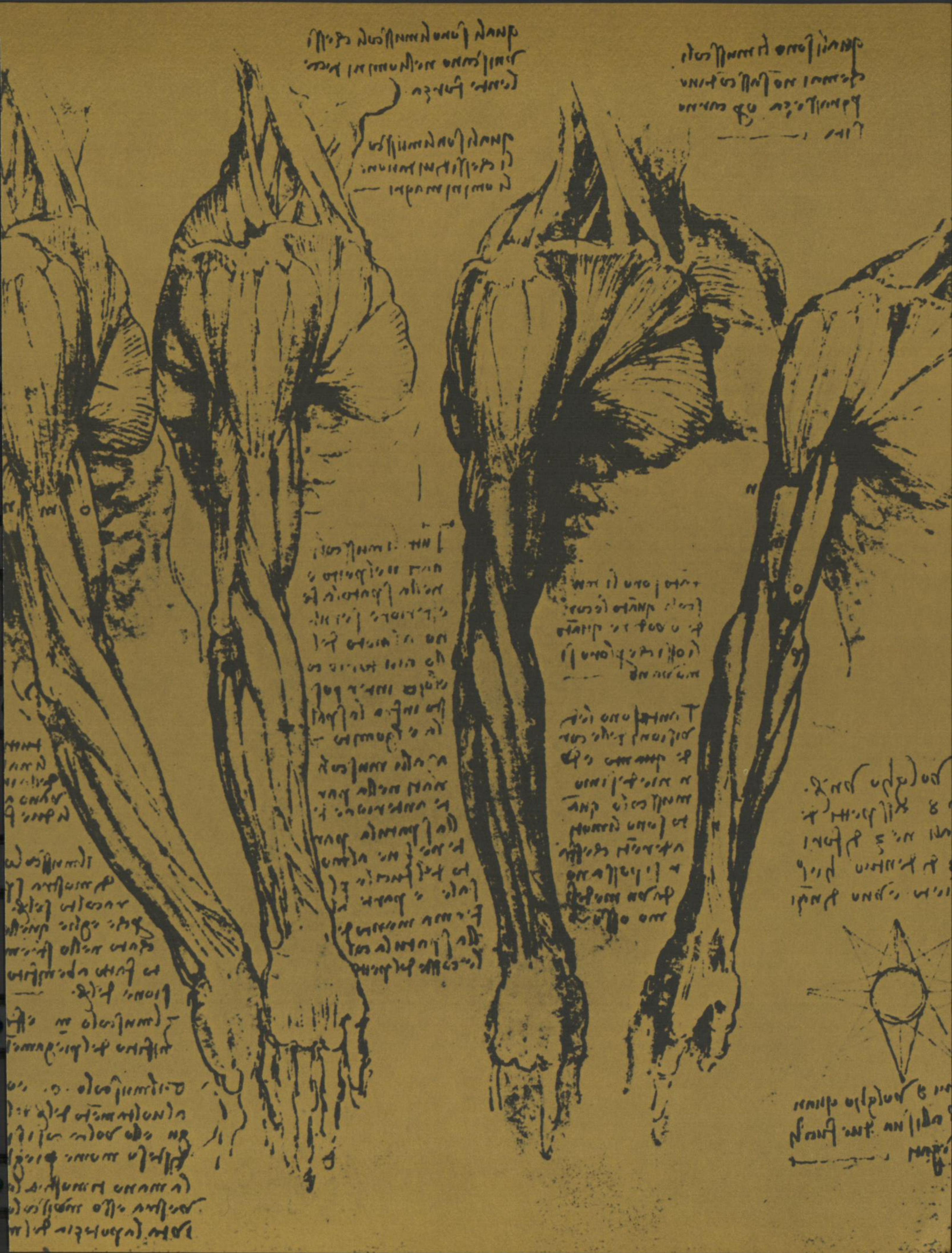
The addition of Beauty Counselors will enable our Direct Selling Group to gain entry into the cosmetics field in important foreign markets such as England, Italy, France, Australia, and Canada, where Beauty Counselors now operates subsidiaries.

Ethical Drugs

Riker Organization

Under Jacob Stutzman, M.D., Ph.D., chairman, Riker has grouped its eleven worldwide operations under five regional managers for more effective control and has expanded the medical departments in each of its established research centers. The physicians heading these medical departments have the important task of assuring that the clinical evaluation of new preparations is of the highest order. They also

LEONARDO THE PHYSIOLOGIST



compile the mass of data needed for product approval by governmental agencies of the 86 countries in which Riker products are sold.

To increase the productivity of its marketing staff, Riker has developed extensive data on the medical profession in the United States. Using this computerized data, Riker is able to call on the medical profession with greater selectivity and impact, yet with fewer detail men. This efficiency is being extended to other countries.

Riker Research

For many years Riker has appropriated 12% of its world-wide product sales on research. This is 50% more than the average of about 8% spent by those pharmaceutical firms that conduct research. If the hundreds of other pharmaceutical firms that do not conduct research were included, the industry average would be lower.

These research dollars have been primarily spread among Riker's three research centers in the United States, England and Australia, and soon will be applied to a new research center in France. Each center concentrates in a different area and each capitalizes on local scientific developments.

Research is pointed toward medications for bronchopulmonary conditions (asthma and emphysema), drugs to control hypertension (high blood pressure), anti-inflammatory agents (for arthritis and bursitis) and compounds that affect the central nervous system (anti-depressants, tranquilizers and muscle relaxants). These are complementary to Riker's basic philosophy to concentrate on products that are used on a continuing basis by the patient to relieve chronic conditions, as opposed to those used for acute illnesses. Riker has developed several new molecules that look promising and are currently in the clinical stage of testing.

New Ethical Products

Riker introduced *Hiprex* in the United States after FDA approval late in 1967. Full marketing of this chronic urinary infection drug in this important market commenced early in 1968.

A medication for the treatment of peptic ulcers, marketed by Riker in the United States as *Estomul,* is being introduced in Canada by Riker as *Diminul.* A leading U.S. manufacturer of ethical dermatological products has licensed Riker Australia to market its products in Australia because of Riker's established marketing ability in that country.

Acquisition in France

Riker purchased, at a price of over $4 million, Societe Jean Roy-Freyssinge S.A., (JRF) a French pharmaceutical manufacturer. This commitment was made prior to recent Federal regulations on foreign spending and Rexall received approval for the expenditure from the United States Department of Commerce.

Employing more than 200 people near Paris, the company manufactures and markets over 20 ethical products that will be marketed selectively throughout the world. Riker's other pharmaceutical operation at Lyon, France will be consolidated with operations of this company to produce a broader line of products. This move eliminates the necessity to add a new facility for the Lyon operation. Of equal significance is the research activity of JRF which Riker intends to expand into its fourth major research center.

New Facilities

In 1967 the new Australian research laboratory was opened. It is the first industrial laboratory for human drug research in that country.

In Mexico a warehouse has been added and the pharmaceutical manufacturing facilities of UCB have been consolidated at Riker, S.A. in Mexico City. Riker Germany has started the manufacture of Riker products in its new plant. In mid-1968 Riker will add a third manufacturing facility in Loughborough, England.

Rexall

Rexall Drug Reorganization

The activities of Rexall Drug Company (proprietary drug products and franchised operations), Liggett-Drug King (company-operated retail chain stores), Rexall Realty (store financing) and Seamless Rubber (drug store, hospital and recreation products) have been consolidated into one group, the Rexall Group, under Robert T. Beattie, president. Previously Mr. Beattie successfully reorganized our retail chain store operations by substantially lowering the investment base and improving earnings. Most recently he has been directing a similar program in the Seamless Rubber division as well as one now under development for the Rexall Drug division.

Hospital Supplies

In the hospital supply division, Seamless Rubber Company continues to expand facilities and product lines. Automated equipment for manufacturing disposable surgeons gloves will be placed into production in 1968. New products will be introduced throughout the year including a new patented surgical brush as well as a new patented gauze, *Notrauma* which because of its unique properties does not stick to a wound.

Service Industries

Market Test

Bonus Gifts is now operating a market test in five southeastern states representing 10% of the U.S. market. There are over 400 name brand packaged goods from 24 leading manufacturers included in the test. Some participants are: American Tobacco, Borden's, The Coca-Cola Company, Scott, Frito-Lay, Hormel, Lever Brothers, Libby-McNeil and Libby, Pillsbury, Quaker Oats Company and Standard Brands. These packaged goods carry Bonus Gifts coupons that consumers save and exchange through Bonus Gifts for cash certificates or any of 89 different trading stamps.

Early results of the test indicate that the program is going very well. Within a few months after launch last fall over 80% of the population in the southeast test area were aware of the program and 66% were saving Bonus Gifts coupons.

It is still too soon to predict the ultimate success of Bonus Gifts. The program will be successful only when it demonstrates it can maintain the increased share of market it is currently obtaining for participating brands. If successful, it is intended that the program will be expanded nationally sometime in 1969.

Under development for four years at a cost of several million dollars, we do not look for Bonus Gifts to make a positive contribution to earnings until 1970 at the earliest.

Bonus Gifts Organization

Early in 1967, this group was completely reorganized under Charles G. Ellington, its new president and formerly corporate vice president of organization planning. As the market test progresses, we are adding to our technical skills to provide the necessary sophistication to process the rapidly increasing volume of coupons.

Financial Summary

Group Sales and Earnings

Rexall Drug and Chemical Company manufactures and distributes chemical, plastic, drug and glass products in the United States and abroad through seven major operating groups. In 1967, over 65% of sales came from chemical, plastic and glass products manufactured and distributed by our Glass Container, Direct Selling (including the Tupperware Division), Plastics and Chemical Groups. These groups contributed more than 85% of 1967 earnings. The remainder of sales and earnings are largely attributed to drug-related activities (proprietary drugs, franchised and Company-operated retail stores and ethical drugs) conducted by our Rexall and Riker Ethical Drug Groups. The newest of the seven operating groups, the Service Industries Group, operates the Bonus Gifts program which is still in a start-up stage.

The importance of our Direct Selling, Plastics, Glass Container and Chemical Groups is becoming increasingly significant as indicated by the fact that five years ago these groups contributed less than 50% of sales and only about 60% of earnings. With minor exception, the Company does no government contract business.

International Operations

International operations continue to gain in significance. *They accounted for 16% of the Company's total sales in 1967 and about 22% of net earnings.* The favorable cash flow now being generated by these operations together with our ability to borrow foreign funds indicates that we should encounter no insurmountable problems in complying with the recent Executive Order of the President of the United States restricting the outflow of capital funds for foreign investment purposes.

Dividends

During 1967 the Company paid regular quarterly cash dividends on Common Stock aggregating 30 cents, and it paid semi-annual dividends totaling $2.00 on the Preferred Stock.

Rexall adopted a practice of paying a 3% Common Stock dividend in 1959 in addition to our regular cash dividend policy, and each year since has paid such a dividend. We have no plans at this time to change this policy.

Financial Position

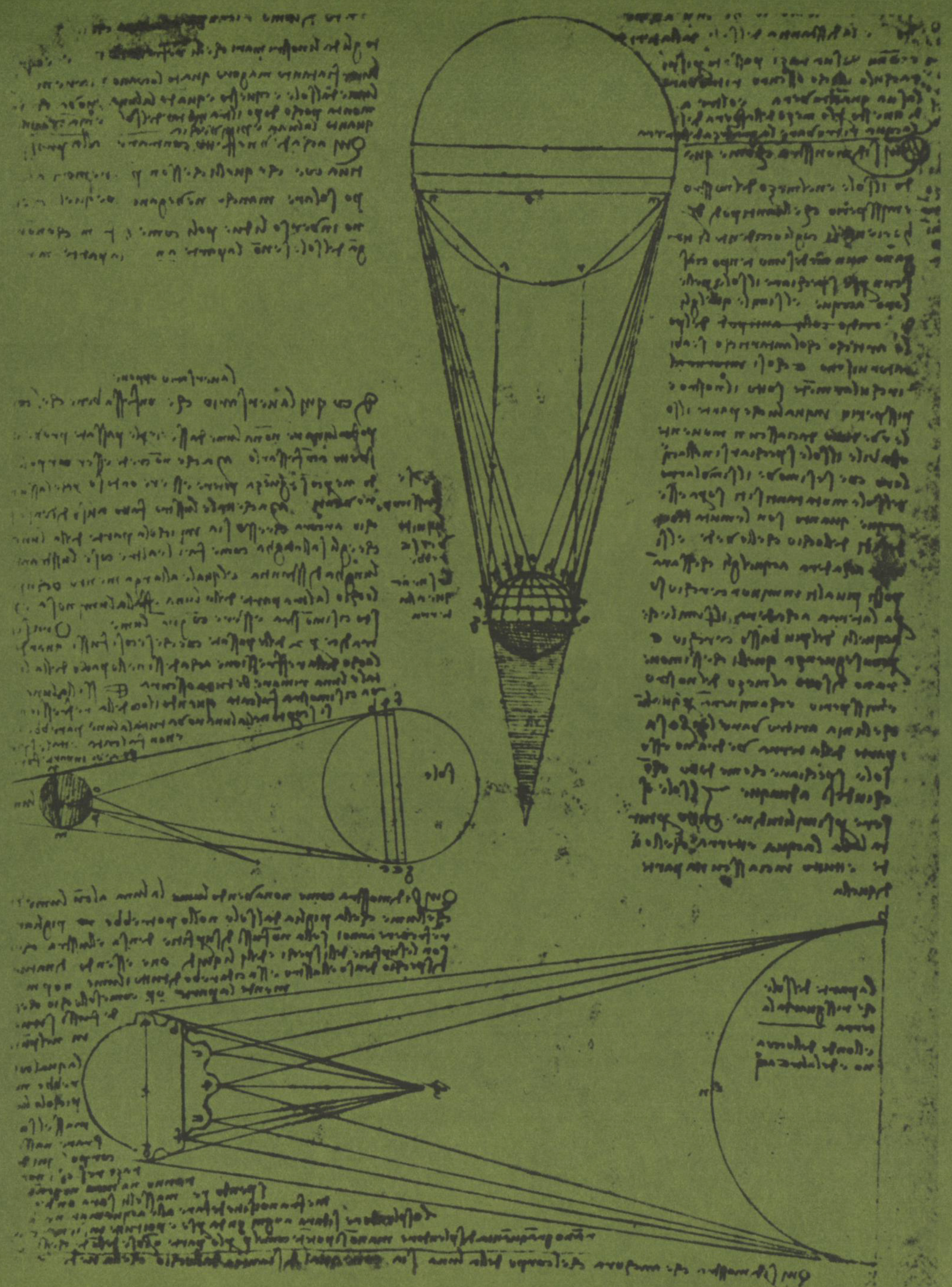
The financial position of the Company was further strengthened in 1967. Long term debt, which aggregates $80.3 million, was reduced $1.7 million during the year to equal about 32% of stockholders' equity compared with over 36% at the beginning of the year.

Our internally generated cash flow, ($4.07 per share in 1967 compared to $3.78 in 1966) aided by more efficient cash administration and control over working assets (total inventories declined about $5.3 million in 1967 in sharp contrast to a 9% increase in sales) has permitted the Company to meet all of its new capital requirements without using the $30 million, three year line of credit entered into in 1966. In addition to this credit source, an amount slightly greater is available to us under other long term borrowing agreements.

Return on Investment

Our stockholders' equity increased to over $247 million by the end of 1967. The rate of return on average stockholders' equity for 1967 increased to 13.3% compared with 12.7% for 1966.

LEONARDO THE ASTRONOMER



Margins

Net earnings as a percent of sales increased to 5.8% in 1967 compared to 5.6% in 1966. In spite of acquisitions and expanded operations, the total number of employees in the Company was reduced from the previous year.

Capital Expenditures

Capital expenditures amounted to $40 million in 1967 compared with $33 million in 1966. It is estimated that expenditures for this purpose will approximate $40 million in 1968. The 1967 investment credit, treated on a "flow through" basis, amounted to $1.3 million in 1967 compared with $2.4 million in 1966. We estimate that the 1968 investment credit will be $1.4 million.

Outlook

All of the Thatcher Glass plants have been closed by an industry-wide strike against the glass producers. Five of our six plants were shut down on February 1, 1968 and the sixth was shut down on March 1.

The loss of earnings attributed to this prolonged strike at Thatcher will cause the first quarter of 1968 to be behind last year, in spite of the fact that we expect the rest of the business to be comfortably ahead of the first quarter of 1967.

We feel the year as a whole will show an improvement over 1967 unless we are faced with uncontrollable situations relating to the national economy.

Respectfully submitted,

Justin Dart

March 18, 1968

JUSTIN DART, Chairman of the Board and President

Financial Statements

STATEMENT OF EARNINGS AND RETAINED EARNINGS

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1967	1966 (restated)
INCOME:		
Sales and revenues, less returns, allowances and discounts	$531,566,000	$488,449,000
Other income	5,177,000	4,285,000
	536,743,000	492,734,000
COSTS AND EXPENSES:		
Cost of goods sold and operating expenses, excluding depreciation and amortization	309,827,000	285,073,000
Selling, distribution, promotional and administrative expenses	145,750,000	138,394,000
Depreciation and amortization	21,982,000	19,759,000
Interest on debt and discounted rental obligations under certain leases	6,625,000	6,135,000
Provision for income taxes–		
United States	15,100,000	11,400,000
Foreign	6,400,000	4,500,000
	505,684,000	465,261,000
NET EARNINGS FOR THE YEAR	31,059,000	27,473,000
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR	110,140,000	104,337,000
	141,199,000	131,810,000
DIVIDENDS:		
Cash–		
Rexall Drug and Chemical Company		
Preferred–$2 per share in 1967, $1 per share in 1966	5,334,000	2,640,000
Common–30c per share	3,929,000	3,670,000
Epcon, Inc., prior to acquisition	174,000	232,000
Thatcher Glass Manufacturing Company, Inc., prior to merger		1,055,000
Common Stock, 3%, 374,200 shares at $22.375 per share paid in February 1967 and 325,400 shares at $43.25 per share paid in March 1966	8,373,000	14,073,000
	17,810,000	21,670,000
RETAINED EARNINGS AT THE END OF THE YEAR	$123,389,000	$110,140,000
EARNINGS PER SHARE OF COMMON STOCK	$ 1.93	$ 1.67
Based on restated average shares outstanding during the year (No material dilution in earnings per share would result upon conversion of Preferred Stock and exercise of outstanding stock options.)		

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 1967 AND 1966

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1967	1966 (restated)
CURRENT ASSETS:		
Cash and short term securities	$ 31,111,000	$ 21,433,000
Accounts and notes receivable	79,827,000	70,798,000
Inventories	102,556,000	107,821,000
Prepaid expenses	4,308,000	3,192,000
TOTAL CURRENT ASSETS	217,802,000	203,244,000
CURRENT LIABILITIES:		
Accounts payable	37,239,000	29,368,000
Short term loans	3,433,000	8,864,000
Accrued compensation and taxes thereon	12,178,000	10,209,000
Other accrued expenses	16,982,000	14,355,000
Current instalments of long term debt	1,971,000	3,216,000
Estimated United States and foreign income taxes	9,945,000	7,933,000
Current instalments of discounted rental obligations	583,000	405,000
TOTAL CURRENT LIABILITIES	82,331,000	74,350,000
WORKING CAPITAL	135,471,000	128,894,000
PROPERTIES, INVESTMENTS AND OTHER ASSETS:		
Properties owned	181,111,000	166,329,000
Properties leased from others	13,998,000	13,196,000
Investment in United States subsidiaries not consolidated, at cost less reserve	1,570,000	2,460,000
Other receivables, deposits and investments, less reserve	9,418,000	10,264,000
Intangibles	13,822,000	10,969,000
Deferred charges	2,940,000	2,084,000
	222,859,000	205,302,000
WORKING CAPITAL AND ALL OTHER ASSETS	358,330,000	334,196,000
DISCOUNTED RENTAL OBLIGATIONS UNDER CERTAIN LEASES, LESS CURRENT INSTALMENTS	14,769,000	13,481,000
LONG TERM DEBT AND OTHER DEFERRED LIABILITIES:		
Long term debt, less current instalments	80,326,000	82,030,000
Deferred United States and foreign income taxes	16,000,000	14,800,000
	96,326,000	96,830,000
TOTAL NET ASSETS REPRESENTING STOCKHOLDERS' EQUITY	$247,235,000	$223,885,000
STOCKHOLDERS' EQUITY:		
CAPITAL STOCK OF REXALL DRUG AND CHEMICAL COMPANY—		
Preferred	$ 13,338,000	$ 13,202,000
Common	16,763,000	16,161,000
CAPITAL IN EXCESS OF PAR VALUE	93,864,000	84,501,000
RETAINED EARNINGS	123,389,000	110,140,000
(Of the 1967 amount, $13,173,000 is reserved for a 3% Common Stock dividend of 402,200 shares payable March 8, 1968.)		
	247,354,000	224,004,000
Less cost of reacquired Common Stock, 5,413 shares	119,000	119,000
TOTAL STOCKHOLDERS' EQUITY	$247,235,000	$223,885,000

See accompanying notes to financial statements.

STATEMENT OF CAPITAL STOCK

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1967		1966 (restated)	
	Shares issued	Amount	Shares issued	Amount
PREFERRED, PAR VALUE $5.00 EACH				
Authorized, 3,000,000 shares				
Series A $2 Cumulative Convertible (aggregate liquidating preference in 1967—$133,376,000)				
AT THE BEGINNING OF THE YEAR	2,640,400	$ 13,202,000	2,630,200	$ 13,150,000
Upon exercise of options	27,100	136,000	10,300	52,000
Upon conversion into Common Stock			(100)	
AT THE END OF THE YEAR	2,667,500	$ 13,338,000	2,640,400	$ 13,202,000
COMMON, PAR VALUE $1.25 EACH				
Authorized, 25,000,000 shares				
AT THE BEGINNING OF THE YEAR	12,928,800	$ 16,161,000	12,547,500	$ 15,684,000
For stock dividend	374,200	468,000	325,400	407,000
Upon exercise of options	107,400	134,000	55,800	70,000
Upon conversion of Preferred Stock			100	
AT THE END OF THE YEAR, INCLUDING REACQUIRED SHARES	13,410,400	$ 16,763,000	12,928,800	$ 16,161,000

STATEMENT OF CAPITAL IN EXCESS OF PAR VALUE

	1967	1966 (restated)
AT THE BEGINNING OF THE YEAR	$ 84,501,000	$ 72,643,000
Excess of fair value over par value of Common Stock issued as stock dividends	7,905,000	13,666,000
Purchase and cancellation of outstanding Thatcher Common Stock Purchase Warrant as of date of merger		(2,000,000)
Costs and expenses of Thatcher merger		(703,000)
Other credits, principally the excess of option prices over par value of stock options exercised	1,458,000	895,000
AT THE END OF THE YEAR	$ 93,864,000	$ 84,501,000

See accompanying notes to financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1967	1966 (restated)
SOURCE:		
Net earnings for the year	$ 31,059,000	$ 27,473,000
Depreciation and amortization	21,982,000	19,759,000
Provision for deferred income taxes	1,200,000	2,900,000
CASH FLOW	54,241,000	50,132,000
Sale of properties and investments, excluding gain	2,732,000	2,010,000
Exercise of stock options	1,720,000	815,000
Discounted rental obligations under certain leases	1,288,000	13,481,000
TOTAL FUNDS PROVIDED	$ 59,981,000	$ 66,438,000
APPLICATION:		
Properties and other assets purchased	$ 39,961,000	$ 32,903,000
Cash dividends paid by Rexall—		
Preferred Stock	5,334,000	2,640,000
Common Stock	3,929,000	3,670,000
Net reduction of long term debt	1,704,000	1,255,000
Properties leased from others	1,954,000	14,145,000
Cash dividends paid by pooled companies prior to merger or acquisition	174,000	1,287,000
Purchase and cancellation of Thatcher Common Stock Purchase Warrant		2,000,000
Costs and expenses of Thatcher merger		703,000
Working capital increase	6,577,000	7,084,000
Other, net	348,000	751,000
TOTAL FUNDS APPLIED	$ 59,981,000	$ 66,438,000

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Rexall Drug and Chemical Company and its consolidated subsidiaries

DETAILS OF STATEMENT OF FINANCIAL POSITION

	1967	1966 (restated)
Accounts and notes receivable:		
Trade, including subsidaries not consolidated	$ 76,541,000	$ 67,285,000
Other	6,034,000	6,374,000
	82,575,000	73,659,000
Less reserve	2,748,000	2,861,000
	$ 79,827,000	$ 70,798,000
Inventories, at lower of cost (principally fifo or average) or market:		
Raw materials and supplies	$ 27,492,000	$ 25,375,000
Work in process	9,059,000	10,059,000
Finished merchandise	66,005,000	72,387,000
	$102,556,000	$107,821,000
Properties owned, at cost:		
Land	$ 5,300,000	$ 5,266,000
Buildings and building fixtures	67,976,000	60,873,000
Machinery and equipment	195,227,000	172,274,000
Store fixtures, leaseholds and improvements	8,439,000	8,192,000
Construction in progress	9,421,000	8,376,000
	286,363,000	254,981,000
Less accumulated depreciation, provided generally on a straight line basis	105,252,000	88,652,000
	$181,111,000	$166,329,000
Intangibles, at cost less amortization:		
Excess of investments in businesses purchased over net assets acquired	$ 11,628,000	$ 8,329,000
Patents, licenses and trademarks, etc.	2,194,000	2,640,000
	$ 13,822,000	$ 10,969,000
Long term debt, less current instalments:		
Unsecured notes, 4.042% to 5.75%, due in instalments to 1987	$ 75,859,000	$ 77,209,000
Real estate and other obligations	4,467,000	4,821,000
	$ 80,326,000	$ 82,030,000

BASIS OF CONSOLIDATION

All significant subsidiaries are consolidated. Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts and related items for which historical exchange rates are used. The loss on devaluation in 1967 after offset by unrealized gain (net of tax) on forward sales of pounds sterling was not significant and is reflected in the statement of earnings.

A summary of assets and liabilities (excluding intercompany accounts) of foreign subsidiaries at December 31 follows:

	1967	1966
Current assets	$41,216,000	$37,336,000
Current liabilities	16,177,000	13,584,000
Working capital	25,039,000	23,752,000
Properties and all other assets	37,904,000	31,864,000
Working capital and all other assets	62,943,000	55,616,000
Long term debt and other deferred liabilities	7,780,000	9,020,000
Net assets of foreign subsidiaries in consolidation	$55,163,000	$46,596,000

Net sales from all operations outside the United States were $86,756,000 in 1967 and $75,152,000 in 1966. Undistributed earnings of foreign subsidiaries included in consolidation were $3,336,000 for 1967 and $4,210,000 for 1966 and aggregated $30,102,000 at December 31, 1967. Dividends of approximately $3,400,000 in 1967 and $1,650,000 in 1966 were received from foreign subsidiaries. Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made. The new foreign direct investment regulations of the United States Department of Commerce are not expected to have any adverse effect on Rexall's future operations.

During 1967 Rexall acquired the net assets of Epcon, Inc., in exchange for 150,000 newly issued shares of Rexall Common Stock, and a foreign business was purchased for cash. The Epcon acquisition has been accounted for as a "pooling of interests" and accordingly the accompanying consolidated statements include the Epcon accounts as at December 31, 1967 and for the year then ended. Comparative 1966 amounts have been restated to reflect the pooling.

Rexall is a 50% owner of two plastics processing corporations and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

Depreciation of property, plant and equipment has been provided on a consistent basis at various annual rates based on the estimated average useful life of the various classes or types of assets, applied chiefly on a straight line basis to gross asset amounts excluding fully depreciated assets. Declining balance and guideline depreciation generally are used in the determination of earnings for income tax purposes where applicable.

PROPERTIES LEASED FROM OTHERS

In compliance with a pronouncement of the American Institute of Certified Public Accountants, Rexall in 1966 recorded assets of $14,145,000 representing the cost of certain properties leased after 1964 (principally in 1966), and accumulated depreciation of $949,000. The related discounted lease obligations are set forth separately in the accompanying statement of financial position. Properties leased under similar arrangements subsequent to 1966 have been accorded the same accounting treatment. Rexall has no legal responsibility for payments under the terms of any of these leases except for rent, insurance and taxes.

These lease obligations are payable $1,408,000 annually over the period of the leases until 1973 and at lesser amounts thereafter to 1992. Rentals payable under other leases are shown in a separate note.

PROPERTY LEASED TO OTHERS

A division of Rexall leases equipment to others. The portion of these leases which essentially represents financing of equipment for lessees is recorded as contracts receivable net of the unearned portion of related rental income. Rentals receivable under non-financing type leases are not recorded until payment is due. At December 31, 1967 unrecorded lease contracts receivable of the latter type amounted to $6,407,000.

INCOME TAXES

Rexall deducts accelerated and guideline depreciation on certain properties for tax purposes. Further, certain process development costs are deducted for tax purposes as incurred. Provision is made currently for taxes which will become payable in future years when book amortization and depreciation on a straight line basis will exceed amounts allowable for tax purposes. Provision for such future taxes amounted to $1,100,000 in 1967 and aggregated $13,900,000 at December 31, 1967. The increase applicable to foreign taxes due after one year was $100,000.

Investment tax credits of $1,300,000 have been applied to reduce the 1967 tax provision. This compares with investment tax credits of $2,400,000 applied in 1966.

Refunds of excess profits taxes of $728,000 and related interest of $306,000 were received in 1966 and have been reflected in 1966 earnings. Additional interest of $503,000 was received in 1967 and is included in 1967 earnings. The 1967 tax provision was reduced in approximately the same amount as the 1966 refunds as the result of settlement of prior years tax returns with taxing authorities.

LONG TERM DEBT

Total principal payments due in the five years subsequent to December 31, 1967 on all long term debt are as follows: 1968—$1,971,000; 1969—$2,354,000; 1970—$6,066,000; 1971—$5,083,000; 1972—$4,974,000. No contingent payments are required. At December 31, 1967 there was no debt outstanding under Rexall's revolving credit agreement with certain banks.

Under loan agreements with certain insurance companies $59,000,000 of the consolidated retained earnings of $123,389,000 at December 31, 1967 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

PREFERRED STOCK

Holders of the Series A $2 Cumulative Convertible Preferred Stock are entitled to receive $2 per share annual cash dividends, to one vote per share and, upon any voluntary or involuntary liquidation, dissolution or winding up to receive $50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder at any time into Common Stock on a share for share basis appropriately adjusted for stock dividends in excess of 3% or for recapitalization. The Preferred Stock may be called for redemption on and after June 30, 1971 at $55 per share plus accrued unpaid dividends. Also under certain restricted circumstances such stock may be redeemed in its entirety prior to June 30, 1971.

STOCK OPTIONS

Pursuant to a stock option plan as amended and approved by the stockholders and under other agreements, 707,300 shares of Rexall Common Stock are reserved for purchase by officers and employees under options granted or to be granted. Options under the plan are exercisable in equal annual instalments on a cumulative basis, with those granted prior to 1964 becoming exercisable during the second through the tenth years after date of grant and those granted subsequent to 1963 becoming exercisable during the second through the fifth years after date of grant. The option price is the market price of the stock on the date options are granted. Options for 414,000 shares were exercised prior to 1967. A summary of changes during 1967 follows:

	Options outstanding	
	Shares	Amount
At the beginning of the year	744,000	$14,258,000
Adjustment for stock dividend	22,300	
Options granted	62,800	2,131,000
Options exercised	(107,400)	(1,317,000)
Options canceled	(63,200)	(1,443,000)
At the end of the year	658,500	$13,629,000

	Options exercisable	
	Shares	Amount
At the beginning of the year	253,100	$ 4,446,000
Adjustment for stock dividend	7,600	
Options becoming exercisable	121,400	2,108,000
Options exercised	(107,400)	(1,317,000)
Options canceled	(2,700)	(90,000)
At the end of the year	272,000	$ 5,147,000

At December 31, 1967 options for 48,800 shares of Common Stock were available for granting.

Upon consummation of the merger of Thatcher Glass Manufacturing Company, Inc. into Rexall during 1966, options for 87,100 shares of Series A $2 Cumulative Convertible Preferred Stock became outstanding upon termination of Thatcher's employee stock option plans and assumption by Rexall of the outstanding options under such plans and under certain employment contracts. There is no plan to issue any new Preferred Stock options. The options are exercisable ratably over periods up to five years commencing one year after the date of grant. Options for 2,300 shares were exercised in 1966. A summary of changes during 1967 follows:

	Options outstanding	
	Shares	Amount
At the beginning of the year	74,700	$ 2,048,000
Options exercised	(27,100)	(403,000)
Options canceled	(9,700)	(469,000)
At the end of the year	37,900	$ 1,176,000

	Options exercisable	
	Shares	Amount
At the beginning of the year	31,800	$ 689,000
Options becoming exercisable	23,400	774,000
Options exercised	(27,100)	(403,000)
Options canceled	(200)	(10,000)
At the end of the year	27,900	$ 1,050,000

COMMITMENTS AND CONTINGENCIES

Information concerning certain post 1964 leases is contained in a separate note. Minimum annual lease rentals payable and sublease rentals receivable by Rexall under other leases and subleases in effect at December 31, 1967 are as follows:

	Minimum annual rentals	
Leases expiring in	Payable	Receivable
1968—1972	$ 8,266,000	$ 1,068,000
1973—1977	2,497,000	918,000
1978—1982	1,235,000	179,000
1983—1987	1,763,000	36,000
after 1987	554,000	1,000
	$14,315,000	$ 2,202,000

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Some of the leases above entered into prior to 1965 contain purchase options. Provision has been made for estimated lease losses on properties no longer operated.

On December 28, 1967 Rexall executed a lease agreement, effective as of November 1, 1967, with The Industrial Development Board of The Town of Halls, Tennessee. Under the terms of the agreement, Rexall will lease a plant to be built in 1968 from the proceeds of a $3,800,000 bond issue, with an option to purchase the property under lease at intervals during the lease term and at nominal cost when the lease terminates. Semiannual rental payments will be due commencing in May 1968 and continuing through October 1992. This lease will be accounted for in 1968 as an instalment purchase as described in a preceding note.

Certain lawsuits have been filed against Rexall. In the opinion of counsel, none of these suits is likely to result in significant liability.

CAPITAL EXPENDITURES

It is estimated that capital expenditures for 1968 will be approximately $40,000,000.

RETIREMENT PLANS

Rexall Drug and Chemical Company and certain of its United States subsidiaries continued the contributory profit sharing retirement plan established in 1955 covering salaried employees after one year of employment with Rexall. The aggregate Rexall contribution in any year, which is based upon consolidated income before Federal income taxes, is limited to six percent of the consolidated earnings as defined and cannot exceed the amount deductible for Federal income tax purposes. The computations include net earnings after income taxes of Thatcher and Ralph Wilson divisions whose employees do not participate in the Rexall plan, but who participate in previously existing retirement plans which Rexall continued in effect. The contribution to be made under the Rexall profit sharing retirement plan amounted to $1,772,000 for the year 1967.

Rexall and its subsidiaries have several pension plans covering substantially all of their employees, including certain employees in foreign countries. The total pension expense for the year was $1,925,000 which includes, as to certain of the plans, amortization of prior service cost principally over a 40 year period. Rexall's policy is, generally, to contribute the pension cost accrued for funded plans and to create accounting reserves for unfunded plans. The actuarially computed value of vested benefits for all plans exceeded as of December 31, 1967 the total of the pension funds and accruals less pension prepayments and deferred charges by approximately $5,000,000.

INCENTIVE COMPENSATION

Under the formula incorporated in Rexall's 1962 stockholder approved Incentive Compensation Plan for key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 83 key employees $643,000 of the total of $1,849,000 available for 1967. Payment of $333,000 of the 1967 awards is deferred until future years.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Rexall, and certain special awards have been authorized for employees not participating in any plan. The above named committees awarded $1,863,000 to 498 persons in these categories. The total amount available under the plans and inclusive of special awards was $3,146,000. No principal officers or directors participate in these plans or special awards.

Excess amounts available but not awarded under all plans are not available for future awards and have been included in 1967 consolidated earnings.

EARNINGS PER SHARE OF COMMON STOCK

Per share data are based on the average number of Common shares outstanding during each year, adjusted retroactively for subsequent stock dividends, after pro forma provision for, or payment of, dividends on the Series A $2 Cumulative Convertible Preferred Stock amounting to $5,334,000 in 1967 and $5,279,000 in 1966.

FEDERAL TRADE COMMISSION PROCEEDING

In February 1967 Rexall was notified by the Federal Trade Commission of that agency's intention to institute a formal proceeding to challenge Rexall's June 30, 1966 merger with Thatcher Glass Manufacturing Company, Inc. unless a consent settlement could be concluded.

In September 1967 a settlement was finalized with the Federal Trade Commission which permits Rexall to retain its interest in Thatcher. Rexall has agreed, among other things, to divest itself within two years of its 50% interest in Imco Container Company's plastic bottle operations. Earnings of Imco's plastic bottle operations for 1967 do not represent a significant part of Rexall's consolidated earnings.

OPINION OF INDEPENDENT ACCOUNTANTS

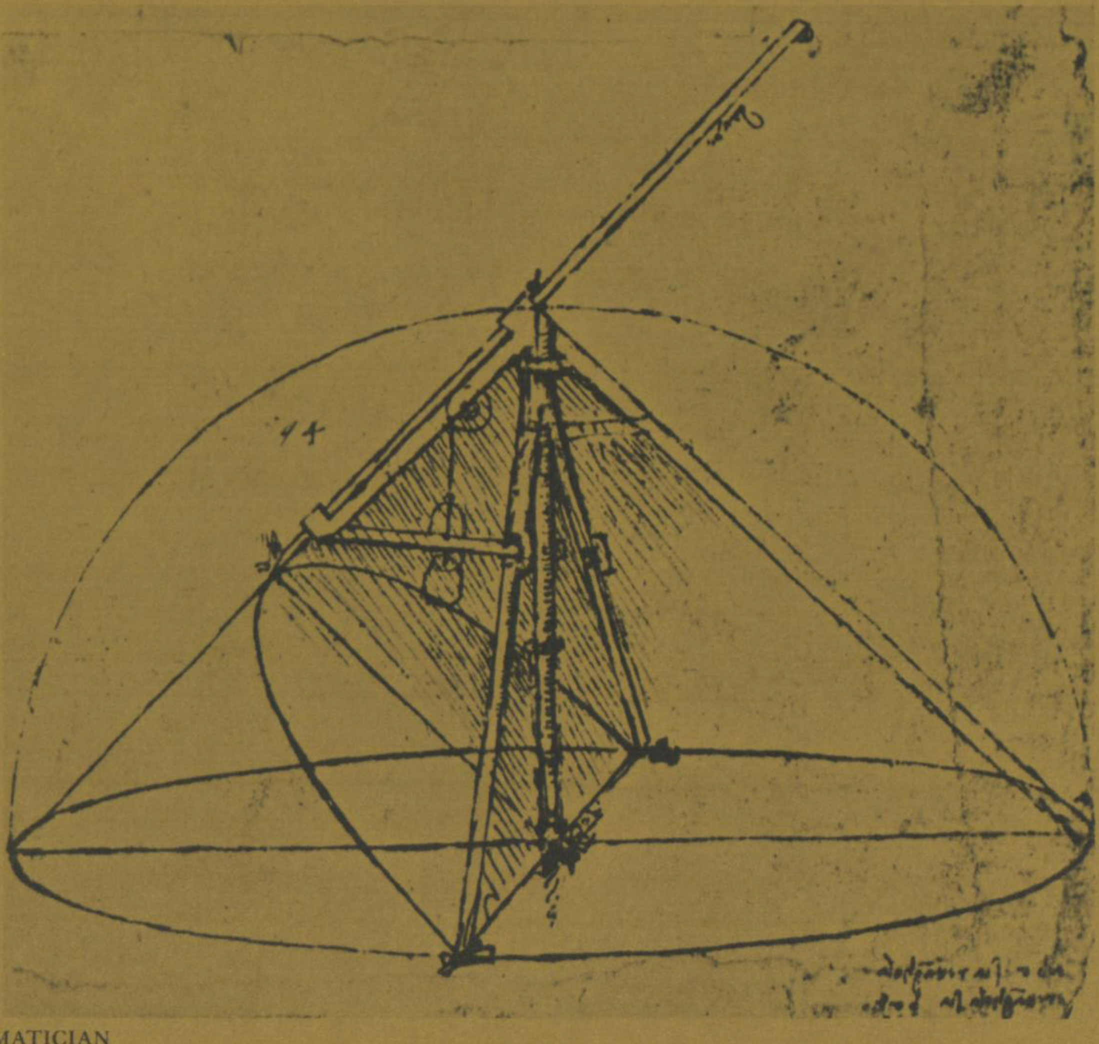
PRICE WATERHOUSE & CO.

To the Board of Directors and
Stockholders of Rexall Drug
and Chemical Company

In our opinion, the accompanying statements on pages 20 to 26 present fairly the financial position of Rexall Drug and Chemical Company and its consolidated subsidiaries at December 31, 1967 and the results of their operations and the supplementary information on funds for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Los Angeles
February 26, 1968

Price Waterhouse & Co.



LEONARDO THE MATHEMATICIAN

TEN YEAR FINANCIAL REVIEW

Rexall Drug and Chemical Company and its consolidated subsidiaries

(Dollar amounts in thousands except per share data; stock information relates to Common Stock, unless otherwise indicated)

	1967	1966†
FOR THE YEAR		
Net sales	531,566	488,449
Income taxes	21,500	15,900
Net earnings	31,059	27,473
Pro forma Preferred dividend requirements**	5,334	5,279
Net earnings available to Common Stock after pro forma Preferred dividend requirements	25,725	22,194
Per share of Common Stock:		
Net earnings	1.93	1.67
Cash dividends	.30	.30
Stock dividends	3%	3%
Cash dividends paid:		
Common Stock	3,929	3,670
Preferred Stock	5,334	2,640
Cash flow***	54,241	50,132
Cash flow per share	4.07	3.78
AT YEAR END		
Working capital	135,471	128,894
Properties owned (net)	181,111	166,329
Total assets	440,661	408,546
Long term debt	80,326	82,030
Deferred liabilities	16,000	14,800
Stockholders' equity	247,235	223,885
Shares of stock outstanding:		
Common	13,405,000	13,297,600
Preferred (pro forma prior to 1966)	2,667,500	2,640,400
Stockholders:		
Common	33,903	32,370
Preferred (pro forma prior to 1966)	5,204	4,691
Employees	24,411	25,269

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†Amounts for 1966 have been restated for an acquisition accounted for as a pooling of interests in 1967 financial statements. Amounts for earlier years would not be significantly affected by restatement.

*Before extraordinary charge.

**Pro forma provision for dividends on Series A $2 Cumulative Convertible Preferred Stock, issued in the merger of Thatcher Glass Manufacturing Company, Inc. into Rexall, from 1958 through 1966, as though

1965	1964	1963	1962	1961	1960	1959	1958
458,141	378,519	342,391	334,909	320,328	304,898	276,879	225,342
23,312	17,210	15,559	11,434	11,844	11,082	11,038	7,797
32,669	23,657	16,647	9,219*	12,397	12,006	11,394	8,704
5,235	4,804	4,731	4,707	4,415	4,342	4,307	3,938
27,434	18,853	11,916	4,512*	7,982	7,664	7,087	4,766
2.11	1.55	1.00	.38*	.68	.68	.74	.55
.30	.26¼	.25	.25	.25	.25	.25	.25
3%	3%	3%	3%	3%	3%	3%	
3,095	2,528	2,318	2,247	2,130	2,002	1,841	1,640
49,858	36,875	31,768	23,356	23,231	20,890	17,086	14,240
3.83	3.03	2.65	1.95	1.97	1.86	1.77	1.65
120,927	113,287	107,339	96,257	80,878	83,514	71,090	63,608
153,772	113,432	95,526	84,783	81,776	58,463	51,773	41,312
373,131	314,194	281,369	261,308	245,257	207,420	175,789	150,752
83,285	77,607	78,276	74,554	64,590	50,996	40,931	36,736
11,900	10,503	10,288	6,452	4,525	2,020	833	773
202,212	162,939	141,945	129,214	123,796	111,551	94,397	78,287
13,099,300	12,175,300	11,981,200	11,962,200	11,838,100	11,449,500	9,687,000	8,991,400
2,630,200	2,403,000	2,368,400	2,353,600	2,214,400	2,188,400	2,153,800	2,005,700
26,769	23,262	22,217	21,948	21,079	20,287	19,151	16,911
4,770	4,450	4,878	5,207	5,019	3,935	3,838	3,510
22,779	18,546	17,222	16,862	15,759	15,535	15,355	13,619

such stock had been outstanding throughout that period.

***Net earnings, plus depreciation and amortization and provision for deferred income taxes.

Net earnings per share is based upon the average number of shares outstanding during each year. The shares of stock outstanding and net earnings per share for 1966 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.

REXALL DRUG AND CHEMICAL COMPANY

World Headquarters, Rexall Square, Los Angeles, California

CHEMICALS

polyethylene, polypropylene, ethylene and propylene:
REXALL CHEMICAL COMPANY
Odessa, Texas**

petrochemical research:
REXALL CHEMICAL COMPANY
Paramus, New Jersey

color concentrates:
WILSON PRODUCTS COMPANY
Neshanic, New Jersey
Assesse, Belgium

polystyrene:
REXALL CHEMICAL COMPANY
Holyoke, Massachusetts
Joliet, Illinois*
Santa Ana, California

ABS (acrylonitrile-butadiene-styrene):
REXALL CHEMICAL COMPANY
Joliet, Illinois

fiber reinforced thermoplastics:
FIBERFIL
Evansville, Indiana
Warsaw, Indiana

packaging film:
CONSOLIDATED THERMOPLASTICS COMPANY #
Chippewa Falls, Wisconsin
Santa Ana, California
Woonsocket, Rhode Island

PLASTICS

ARCHITECTURAL PRODUCTS

decorative laminates, laminated art and wallboard:
RALPH WILSON PLASTICS COMPANY
Temple, Texas
Los Angeles, California •
San Francisco, California •
Miami, Flordia •
Atlanta, Georgia •
Chicago, Illinois •
West Nyack, New York •

PANEL PRODUCTS COMPANY
Lithonia, Georgia

vinyl wall coverings:
FABROVIN COMPANY
Paterson, New Jersey

HOME FURNISHINGS

decorative accessories, furniture carvings, premiums:
SYROCO
Altanta, Georgia •
Chicago, Illinois •
Los Angeles, California •
New York, New York •
San Francisco, California •
Seattle, Washington •
Syracuse, New York

PACKAGING

plastic tubes, closures, seals:
THATCHER PLASTICS PACKAGING
Muscatine, Iowa
New York, New York •

metal tubes:
WHITE METAL MANUFACTURING COMPANY
Hawthorne, New Jersey
Indianapolis, Indiana

SIGNS AND LEASING

outdoor signs and leasing:
THE EPCON COMPANY
Denver, Colorado
Boise, Idaho •
Billings, Montana
Great Falls, Montana
Rapid City, South Dakota •
Salt Lake City, Utah
Seattle, Washington
Spokane, Washington •
Tacoma, Washington •
Casper, Wyoming •

PLASTIC PRODUCTS COMPANY
Seattle, Washington

PLASTI-LINE COMPANY
Knoxville, Tennessee

SPECIALTIES AND COMPOUNDING

aerosol gaskets:
AMERICAN GASKET AND RUBBER COMPANY
Schiller Park, Illinois
Clinton, Illinois

garden hose, compoundings:
COLORITE PLASTICS COMPANY
Paterson, New Jersey

extruded specialties:
ACTION PLASTICS COMPANY
Totowa, New Jersey

abrasives:
REX-CUT PRODUCTS
Fall River, Massachusetts

STYRENE PRODUCTS

styrene containers:
REXCEL
Ludlow, Massachusetts

THOMPSON INDUSTRIES
Phoenix, Arizona
Van Nuys, California •
Monrovia, California
Stone Mountain, Georgia
Des Plaines, Illinois
Shreveport, Louisiana
New Shrewsbury, New Jersey
Solon, Ohio
Alexandria, Virginia

IMCO COMPANIES

plastic bottles:
IMCO CONTAINER COMPANY #
Downey, California •
Goleta, California
Los Angeles, California
Chicago, Illinois •
Jeffersonville, Indiana
Belvidere, New Jersey
Plainfield, New Jersey
South Grafton, Massachusetts
Excelsior Springs, Missouri
Kansas City, Missouri
New York, New York •
Harrisonburg, Virginia

IMCO CONTAINER (CANADA) LTD. †
Cooksville, Ontario, Canada

IMCO AUSTRALIA
Ferntree Gully, Australia

IMCO-S.E.P.
Ghent, Belgium

REXPAK/SCANDINAVIA
Copenhagen, Denmark

REXPAK/ENGLAND
Golborne, England

B.E.P.S.A.
Barcelona, Spain

LITOPLAS
Madrid, Spain

GLASS CONTAINERS

glass containers:
THATCHER GLASS MANUFACTURING COMPANY
New York, New York •
Elmira, New York
Lawrenceburg, Indiana
Saugus, California
Streator, Illinois
Tampa, Florida
Toledo, Ohio
Wharton, New Jersey

DIRECT SELLING

TUPPERWARE®

Tupperware
food storage and serving,
kitchen aids, toys:

Headquarters: Orlando, Florida

Sales and distribution:
Australia
Austria
Belgium
Canada
Costa Rica
Denmark
Ecuador
El Salvador
Finland
France
Germany
Great Britain
Greece
Greenland
Guatemala
Honduras
Hong Kong
Iceland
Ireland
Italy
Japan
Jordan
Kuwait
Lebanon
Malaya
Mexico
Mozambique
Netherlands
Norway
Okinawa
Panama
Peru
Philippines
Portugal
Singapore
South Africa
Spain
Sweden
Switzerland
Thailand
United States
Venezuela

Tupperware manufacturing facilities:
Johannesburg, South Africa
Victoria, Australia
Aalst, Belgium
Quebec, Canada
Wigan, England
Thivia, Greece
Okazaki, Japan
Lerma, Estado de Mexico, Mexico
Madrid, Spain
Blackstone, Mass., U.S.A.
Halls, Tenn., U.S.A.*

mold manufacturing:
TUPCO
Auburn, Mass.

DIECRAFT
Melbourne, Australia

VANDA

direct selling cosmetics:
VANDA COSMETICS COMPANY
Orlando, Florida •

ETHICAL DRUGS

Riker broncholytics, skeletal muscle anti-spasmodics, hypotensives, appetite suppressants, analgesics:
RIKER LABORATORIES
Northridge, California

RIKER PHARMACEUTICAL COMPANY, LTD.
Cooksville, Ontario, Canada

RIKER LABORATORIES
Loughborough, England
Welwyn Garden City, England

RIKER LABORATORIES AFRICA (PTY.) LTD.
Observatory Cape, South Africa

RIKER LABORATORIES AUSTRALIA (PTY.) LTD.
Crows Nest, Australia
Thornleigh, N.S.W., Australia

RIKER LABORATORIES, (N.Z.) LTD.
Wellington, New Zealand •

RIKER-EVANSTON ARGENTINA S.A.C.I.yF.
Buenos Aires, Argentina

KETTELHACK-RIKER PHARMA GmbH
Borken, West Germany

RIKER S.A. DE C.V.
Mexico City, Mexico

LABORATORIES JEAN ROY-FREYSSINGE
Paris, France •
Pithiviers, France

LABORATORIES MEDIAL-RIKER, S.A.
Lyon, France

MARUPI-RIKER K.K. ‡
Osaka, Japan

REXALL

Rexall proprietary drugs, cosmetics, vitamins and sundries:
REXALL DRUG COMPANY
St. Louis, Missouri

REXALL DRUG COMPANY, LTD.
Cooksville, Ontario, Canada

REXALL DRUG COMPANY, S.A. (PTY.) LTD.
Port Elizabeth, South Africa
Johannesburg, South Africa

REXALL DRUG COMPANY-ENGLAND
Nottingham, England
Dublin, Ireland

private formula drugs, cosmetics, vitamins:
CARNEGIE LABORATORIES
St. Louis, Missouri

company operated stores:
DRUG KING, INC.
20 West Coast Stores

GALES COFFEE SHOPS
10 West Coast Shops

LIGGETT DRUG COMPANY
70 East Coast Stores

store financing:
REXALL REALTY CORPORATION
Los Angeles, California

surgical and recreational products:
SEAMLESS RUBBER COMPANY
New Haven, Connecticut
Valley Park, Missouri

SERVICE INDUSTRIES

continuity gift program:
BONUS GIFTS
Los Angeles, California
New York, New York •
Chicago, Illinois •
Atlanta, Georgia •

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*Under construction
•Sales offices only
‡Joint venture with Dainippon Pharmaceutical Company
#Jointly owned with El Paso Products Company
†Subsidiary of Imco Container Company
**Joint venture with El Paso Products Company

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